



## ***Corporate Governance Compliance Rating Report***



***Alarko Holding A.Ş.***

1 October 2022

Validity Period 01.10.2022-01.10.2023

## LIMITATIONS

This Corporate Governance Rating Report, issued by Kobirate Kurumsal Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. for Alarko Holding Anonim Şirketi;

has been prepared by considering Communiqué Amending the "Corporate Governance Communiqué (II-17,1) (II-17,1.a)" published in the Official Gazette No. 31262 on 02 October 2020 by the Board, as well as regulations regarding the voluntary sustainability principles compliance framework and the board decisions taken at the CMB's board meeting dated 01.02.2013 and numbered 4/105 in addition to the criteria specified in the "Corporate Governance Communiqué No. II-17.1" of the Capital Markets Board published in the Official Gazette dated 03 January 2014 and numbered 28871

The criteria, established for the companies whose shares are traded at BIST, are organized separately as First Group, Second Group and Third Group companies and investment partnerships, taking into consideration the group distinctions stated by CMB's Corporate Governance Principles in Item 2 - Article 5 of communiqué no II-17.1, published in the Official Gazette on 03.01.2014.

The Corporate Governance Compliance Rating Report issued by Kobirate Kurumsal Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. is based on 106 copies of documents, data and files transmitted by the concerned firm electronically, including data open to general public and examinations made by our rating experts on site.

Kobirate Kurumsal Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. Has formulated its Ethical Rules according to the Banking Act, the CMB and BRSA Directives on the Operations of Rating Companies, generally accepted ethical rules of the IOSCO and OECD including generally accepted ethical customs, which is shared with the public through its Internet website ([www.kobirate.com.tr](http://www.kobirate.com.tr)).

Although rating is an assessment based on numerous data, it is consequently the institutional opinion of Kobirate Kurumsal Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş. formed accordingly to the methodology disclosed.

The rating grade does not constitute a recommendation to purchase, to hold or to dispose of any kind of borrowing instrument. KOBIRATE A.Ş. may not be held liable for any losses incurred or investments made to the company referring to this report.

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## TABLE OF CONTENTS

1. Rating Summary	3
2. Rating Methodology	6
3. Company Profile	9
4. Sections of Rating Process	
A. Shareholders	17
a. Facilitating the Exercise of Shareholders Rights	17
b. Right to Obtain Information and to Examine	18
c. Right to Attend the General Assembly	18
d. Voting Right	20
e. Minority Rights	21
f. Dividend Right	21
g. Transfer of Shares	22
B. Public Disclosure and Transparency	23
a. Corporate Website	24
b. Annual Report	24
C. Stakeholders	26
a. Corporation's Policy on Stakeholders	26
b. Supporting Participation of Stakeholders in Corporation's Management	27
c. Human Resources Policy of the Corporation	27
d. Relations with Customers and Suppliers	28
e. Ethical Rules, Corporate Social Responsibility	28
f. Sustainability	29
D. Board of Directors	30
a. Function of the Board of Directors	31
b. Principles of Activity of the Board of Directors	31
c. Structure of the Board of Directors	31
d. Procedure of Board of Directors Meetings	32
e. Committees Formed within the Structure of the Board of Directors	32
f. Financial Rights Provided for Members of the Board of Directors and Executives	34
5. Corporate Governance Compliance Grades and Descriptions	35



## ALARKO HOLDİNG A.Ş.

BIST FIRST GROUP

CMB CORPORATE GOVERNANCE  
PRINCIPLES COMPLIANCE GRADE

9.22

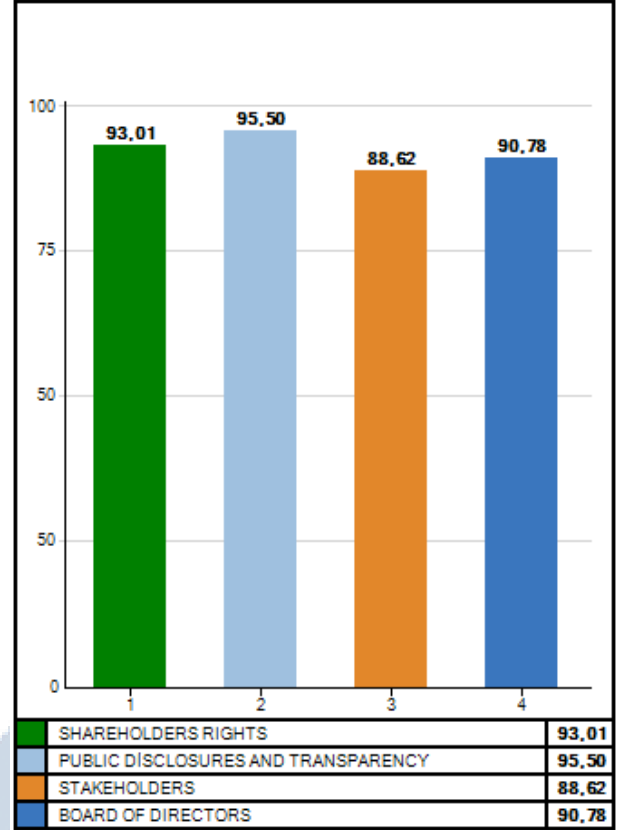
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### RATING SUMMARY

This report of rating of compliance of Alarko Holding A.Ş. with the Corporate Governance Principles is concluded through onsite examinations of the documents and information open to public, interviews held with executives and persons involved, and of other examinations and observations. The study has been held in accordance with the Corporate Governance Compliance Rating Methodology developed by Kobirate Uluslararası Kredi Derecelendirme ve Yönetim Hizmetleri A.Ş.

In the methodology and rating process, in addition to the Capital Markets Board's Corporate Governance Communiqué No. II-17.1, the Communiqué Amending the "Corporate Governance Communiqué (II-17,1)



(II-17,1.a)" published by the Board has been considered in addition to the regulations regarding the voluntary sustainability principles compliance framework and the board decisions taken at the CMB's board meeting dated 01.02.2013 and numbered 4/105.

According to CMB decision dated 13.01.2022 , No.2/27, Alarko Holding A.Ş. is on the list of BIST 1st Group Companies list. The Company has been evaluated through examination of 456 criteria described in Kobirate Uluslararası Kredi Derecelendirme ve Kurumsal Yönetim Hizmetleri A.Ş.'s methodology of "BIST 1st Group Companies". At the end of examination of criteria under the main headings of Shareholders, Public Disclosure and

Transparency, the Stakeholders, and the Board of Directors, Corporate Governance Compliance Rating Grade of Alarko Holding A.Ş. has been revised as **9,22**.

This result signifies that the company has achieved a high level of compliance with CMB's Corporate Governance Principles and highly deserves to be on the BIST corporate governance index.

Potential risks, which the Company may be exposed are identified and can be managed. Internal control systems are in place, and operational, although some improvements are required. The rights of the shareholders are impartially taken care of. The level of public disclosure and transparency are at a good level. Interests of the stakeholders are fairly considered. Composition and works of the Board comply with the Corporate Governance Principles. However, some improvements are needed in compliance with the Corporate Governance Principles even though they do not constitute serious risks.

When the activities of the Company for the last one year are examined, it is seen that it has been developing and maintaining its compliance with Corporate Governance Principles.

In view of rating process under main headings in brief;

It has been seen that the Company has obtained the grade of **93,01** in the Shareholders Section and has achieved a very good level of compliance with CMB Corporate Governance Principles. The existence of the Investor Relations Unit, where the relations with the shareholders are maintained in a healthy manner, that the general assemblies are held in accordance with the procedure, that the profit distribution policy is established and disclosed to the public, and that there are no restrictions on the transfer of shares, stand out as positive practices.

Alarko Holding A.Ş. has achieved the grade of **95,50** for the section of Public Disclosure and

Transparency. It has prepared disclosure policy and revealed it to public. Its corporate website has been designed to allow investors easy access to information they require and described by Principles.

The annual report's content is sufficient, and information is given in a graphic and easy – to – understand format. As a result of the studies conducted, it has been determined that the company has achieved a rather good level of compliance with the principles in the field of public disclosure and transparency.

The Company has obtained **88,62** in the section of Stakeholders.

In this section, the Company has achieved good compliance with the CMB's Corporate Governance Principles. Human resources policy has been prepared. Issues concerning employees, such as recruitment, job descriptions, performance evaluation, promotion, rewarding, leaves, and social rights have been regulated and disclosed to the employees. Training policies were created, annual training programs were prepared, and employees were informed about them.

Work processes and standards have been established and it has been observed that parties are informed about these processes.

Ethical Rules and Working Principles have been established and necessary information has been provided in order for the employees to act in accordance with these rules.

The company shared its sustainability approach with the public in the annual report. It discloses its activities within the scope of corporate social responsibility to the public through its corporate website and annual activity reports.

As for the Board of Directors Section, the Company's grade is **90,78**, representing a very good compliance with the Corporate Governance Principles.

It has been confirmed that the Board of Directors has set Company's strategic goals, audits performance of company management and pays further attention for company affairs to be in compliance with the legislation, the Articles of Association, and internal regulations.

The posts of Chairman of the Board of Directors and General Manager are held by separate individuals. There is no one in the Company with sole discretion.

Board of Directors convenes regularly. Meeting procedures are written in Articles of Association and internal regulations.

The Audit, Corporate Governance and Early Risk Detection Committees, referred to by the Principles, have been established, their working principles have been prepared as written documents.

II. Pursuant to the Capital Markets Board Communiqué No. 17-1, the Investor Relations Department Manager has been appointed as a Member of the Corporate Governance Committee.

On the other hand, there are other significant practices in terms of compliance with the Corporate Governance Principles, such as having a majority of non – executive members, having 3 (three) independent members in the committee, and having determined remuneration principles for top managers and disclosed them at the corporate website.

## 2. RATING METHODOLOGY

The Corporate Governance Compliance Rating is a system which audits whether or not the firm's management structures and management styles, the arrangements for shareholders and stakeholders and the process of informing in transparency and accuracy are performed in accordance with the modern corporate governance principles and which assigns a grade corresponding to the existing situation.

Organization for Economic Co-operation and Development (OECD) established a working group in 1998 in order to assess member countries' opinions on corporate governance and to prepare some non – binding principles.

The fact that principles are open to change in time was also accepted at this work. Although at first these principles were focused on the companies whose shares were quoted in stock exchange, it was emphasized by OECD that it would be also useful to implement these principles in public enterprises and companies whose shares were not quoted in stock exchange.

In 1999, OECD Corporate Governance Principles were approved at the OECD Meeting of Ministers and published. Since then, these principles have been regarded as international references for the decision – makers, investors, shareholders, companies, and stakeholders throughout the world.

Since their approval, these principles kept the concept of corporate governance on the agenda and became guidelines for the laws and regulations in OECD members, as well as other countries. The Corporate Governance Principles, first announced by the OECD in 1999, were updated for the first time in 2004 and took their final form in Istanbul on April 10, 2015, during Turkey's G20 Presidency.

There are four basic principles of corporate governance in OECD Corporate Governance

Principles. These are: fairness, transparency, accountability, and responsibility.

Turkey has been closely monitoring these developments. A working group, established within TUSIAD in 2001, prepared the guide, titled, "Corporate governance: The best implementation code". Then CMB issued "Capital Market Board Corporate Governance Principles" in 2003 and updated it in 2005, 2010, 2012, 2013,2014 and 2020 according to international developments in this field.

Obligation to comply with CMB's Corporate Governance Principles, based on the principle of "comply or explain", and to declare it became part of companies' lives in 2004. Putting the Declaration of Compliance to Corporate Governance in the annual reports became obligatory the following year.

The CMB has decided to create a new corporate governance reporting framework, and the new framework has been shared with the public with the Capital Markets Board Bulletin dated 10.01.2019 and numbered 2019/2 and the announcement dated 11.01.2019. Within the scope of the new reporting framework, it has been decided that the explanations will be made in the following order. Disclosure of the Compliance Report Format ("CRF") to report compliance with voluntary principles, and disclosure of the Corporate Governance Information Form ("CGIF") to provide information on current corporate governance practices. In accordance with the Turkish Commercial Code and the CMB's Corporate Governance Communiqué (II-17.1), CRF and CGIF must be announced on the Public Disclosure Platform at least three weeks before the date of the general assembly meeting, on the same date as the annual activity reports, and before the due date of the announcement period of the annual financial reports on the Public Disclosure Platform.

The Communiqué on Amending the "Corporate Governance Communiqué (II-17,1)" published in the Official Gazette numbered 31262 on



October 2, 2020, by the Capital Markets Board (II-17,1.a) and regulations regarding the voluntary sustainability principles compliance framework were included.

The compliance framework has been published on the Capital Markets Board website. The Sustainability Compliance Framework is examined under the Headings A- General Principles B- Environmental Principles C- Social Principles D- Corporate Governance Principles.

The practice has been determined according to the "Comply or Explain" principle. It is anticipated that the annual reports include whether the sustainability principles are applied or not, and if not, a reasoned explanation and an explanation of the effects that have occurred. In case of a significant change during the period, it is anticipated that the relevant change will be included in the interim annual reports.

The principles are grouped under four main headings, namely: the Shareholders, Public Disclosure and Transparency, Stakeholders, and the Board of Directors.

The Corporate Governance Compliance Rating Methodology revised on February 2022, has been prepared by Kobirate A.Ş. for companies whose shares are traded on BIST, banks, investment partnerships and non – quoted companies.

It has been prepared by considering Communiqué Amending the "Corporate Governance Communiqué (II-17,1) (II-17,1.a)" published in the Official Gazette No. 31262 on 02 October 2020 by the Board, as well as regulations regarding the voluntary sustainability principles compliance framework and the board decisions taken at the CMB's board meeting dated 01.02.2013 and numbered 4/105 in addition to the criteria specified in the "Corporate Governance Communiqué No. II-17.1" of the Capital Markets Board published in the Official Gazette dated 03 January 2014 and numbered 28871.

In this analysis, the full compliance of workflow and analysis technique with Kobirate A.Ş.'s Ethical Rules is considered.

456 criteria are used in the rating process for BIST 1st Group Companies in order to measure the compliance of firms with corporate governance principles. These criteria are translated into "Corporate Governance Rating Question Sets" through Kobirate A.S.'s unique software named as PERFECRATE.

The weighting scheme for the four main sections in the new Corporate Governance Compliance Rating, determined by CMB's memorandum dated 12.04.2013 and numbered 36231672-410.99 (KBRT)-267/3854, is applied completely by Kobirate A.Ş. The weightings are as below:

Shareholders 25 %  
Public Disclosure and Transparency 25 %  
Stakeholders 15 %  
Board of Directors 35 %

CMB decision dated 01.02.2013 and numbered 4/105 states that in case the minimum requirements of corporate governance principles are met, 85 % of full points can be given at most for that principle and it is required to add new questions / methods into the methodology in order to ensure that good corporate governance principles, which go beyond meeting the minimum requirements are included in the rating grade. Our company has been informed about this requirement by CMB notification dated 19.07.2013 and numbered 36231672-410.99 (KBRT) 452.

In the FEBRUARY 2022 revised corporate governance compliance rating methodology, created by our company, the grade that can be given to a related criterion in that subsection for meeting minimum requirements of corporate governance principles, stated by CMB Communiqué of Corporate Governance published on 03.01.2014 is restricted to 85 % of the full points.



A rating is made with a system that completes the section grades up to 100 by the company's compliance and implementation of the corporate governance practices, which include the good implementation and internalization of the criteria determined in the corporate governance principles, and the different good corporate governance practice criteria determined by our company.

The grade to be assigned by the Corporate Governance Rating Committee to the firm ranges between 0-10. In this scale of grade, "10" points mean excellent, full compliance with CMB's Corporate Governance Principles while grade "0" means that there is no compliance with CMB's Corporate Governance Principles, in any sense, in the existing weak structure.

In this report the following legends have the following meanings:

- ✓ Due / Correct Application of CMB's Corporate Governance Principles
- ✗ Improper / Erroneous Application of CMB's Corporate Governance principles
- ✓/✗ Practices required to be improved in compliance with CMB's Corporate Governance Principles

### 3. COMPANY PROFILE



<b>Company Name</b>	: Alarko Holding A.Ş.
<b>Company Address</b>	: Muallim Naci Caddesi No:69 34347 Ortaköy/ İSTANBUL
<b>Company Phone</b>	: (0212) 227 5200 - (0212) 310 3300
<b>Company Fax Number</b>	: (0212) 260 3504
<b>Company's Web Address</b>	: www.alarko.com.tr
<b>E-Mail Address</b>	: info@alarko.com.tr
<b>Date of Incorporation</b>	: 16/12/1972
<b>Registered Number</b>	: 118376
<b>Paid-in Capital</b>	: 435.000.000 TL
<b>The Company's Field of Activity</b>	: Portfolio Management.
<b>The Sector in Which It Operates</b>	: Financial Institutions / Holdings and Investment Companies

**Company's Representative in Charge of Rating:**

**Özgür KALYONCU**

**Investor Relations Director**

[ozgur.kalyoncu@alarko.com.tr](mailto:ozgur.kalyoncu@alarko.com.tr)

**(0212) 310 3429**

*Shareholder Structure (as of date of this report)*



Source: [www.kap.org.tr](http://www.kap.org.tr)

Shareholder Name	Share (TL)	%
İzzet GARİH	76,921,245.42	17.68
Vedat Aksel ALATON	72,571,245.51	16.68
Leyla ALATON	76,921,245.42	17.68
Dalia GARİH	66,298,008.65	15.24
Other Shareholders	12,247,729.62	2.83
Quoted in Stock Exchange	130,040,525.38	29.89
<b>Total</b>	<b>435,000,000.00</b>	<b>100.00</b>

Source: [www.kap.org.tr](http://www.kap.org.tr)

*Real Person Final Controlling Shareholders (as of report date)*

Shareholder Name	Share in Direct and Indirect Capital (TL)	Share in Direct and Indirect Capital (%)
İzzet GARİH	79,075,365.42	18.18
Vedat Aksel ALATON	72,571,245.51	16.68
Leyla ALATON	76,921,245.42	17.68
Dalia GARİH	68,452,128.65	15.74

Source: [www.alarko.com.tr](http://www.alarko.com.tr)

## **Board of Directors**

<b>Name/ Surname</b>	<b>Title</b>	<b>Executive/ Non - Executive</b>
İzzet GARİH	Chairman of the Board of Directors & Member of the Corporate Governance Committee - Member of the Early Detection of Risk Committee	Non - Executive
Vedat Aksel ALATON	Deputy Chairman of the Board of Directors & Member of the Corporate Governance Committee - Member of the Early Detection of Risk Committee	Non - Executive
Ayhan YAVRUCU	Member of Board of Directors	Non - Executive
Niv GARİH	Member of Board of Directors	Non - Executive
Leyla ALATON	Member of Board of Directors	Non - Executive
Ümit Nuri YILDIZ	Member of the Board of Directors – Chairman of the Executive Board of the Community	Executive
Neslihan TONBUL	Independent Board Member & Chairman of Audit Committee, Chairman of Early Detection of Risk Committee	Non - Executive
Mahmut Tayfun ANIK	Independent Member of Board of Directors	Non - Executive
Burak KOÇER	Independent Member of the Board of Directors & Chairman of the Corporate Governance Committee, Member of the Audit Committee	Non - Executive

### **Committees Formed Within Board of Directors**

#### **Corporate Governance Committee**

<b>Name Surname</b>	<b>Title</b>	<b>Duty</b>
Burak KOÇER	Independent Member of Board of Directors	The Chairman of The Committee
İzzet GARİH	Chairman	Committee Member
Vedat Aksel ALATON	Deputy Chairman	Committee Member
Özgür KALYONCU	Investor Relations Director	Committee Member

#### **The Audit Committee**

<b>Name Surname</b>	<b>Title</b>	<b>Duty</b>
Neslihan TONBUL	Independent Member of Board of Directors	The Chairman of The Committee
Burak KOÇER	Independent Member of Board of Directors	Committee Member

#### **Early Detection of Risk Committee**

<b>Name Surname</b>	<b>Title</b>	<b>Duty</b>
Neslihan TONBUL	Independent Member of Board of Directors	The Chairman of The Committee
İzzet GARİH	Chairman	Committee Member
Vedat Aksel ALATON	Deputy Chairman	Committee Member

### Top Management of the Company

Name/ Surname	Title
Ümit Nuri YILDIZ	CEO
Mehmet AHKEMOĞLU	CFO
Alpaslan SERPEN	CSO
Pınar YAMANER	CPO
Serkan DEMİR	CIO
Edip İLKBAHAR	General Manager-Tourism
Erol UÇMAZBAŞ	General Manager - MEDAŞ
Ümit BORAN	General Manager-Commitment
Cem AKAN	General Manager-Industry and Trade
Hakan AYTEKİN	General Manager-ALTEK
Harun H. MORENO	General Manager-AGYO
İlker ARSLANARGUN	General Manager-MEPAŞ

### Balance-Sheet Comparison of Company's Certain Selected Items for yearends of last two years

	2020/12 (Thousand TL)	2021/12 (Thousand TL)	2022/06 (Thousand TL)	Change % (2020-2021)
Current Assets	1,665,424	2,433,953	3,947,265	46
Trade Receivables	297,322	534,876	972,612	80
Inventories	113,311	278,722	739,764	146
Fixed Assets	2,427,959	4,697,866	7,903,135	93.49
Total Assets	4,093,383	7,131,820	11,850,400	74.23
Short-Term Liabilities	749,760	2,126,349	3,449,367	183
Long-Term Liabilities	457,816	446,930	499,952	-2.37
Paid-in Capital	435,000	435,000	435,000	-
Equity	2,885,806	4,558,540	7,901,080	57.96

Source: Alarko Holding A.Ş.

Financial Statements and Independent Auditor's Report for the Periods 01.01.2020-31.12.2020, 01.01.2021-31.12.2021 and 01.01.2022-30.06.2022

### Income Statement Comparison of Company's Certain Selected Items for yearends of last two years

	2020/12 (Thousand TL)	2021/12 (Thousand TL)	2022/06 (Thousand TL)	Change % (2020-2021)
Revenue	1,032,136	2,016,553	2,737,393	95.37
Cost Of Sales	(642,017)	(1,986,322)	(2,092,636)	-209.38
Operational Profit / Loss	421,615	453,312	678,532	7.51
Profit/Loss for the Period	905,982	1,583,676	3,349,821	74.80
Earnings/Loss Per Share	1,844	2,930	7,506	58.89

Source: Alarko Holding A.Ş.

Financial Statements and Independent Auditor's Report for the Periods 01.01.2020-31.12.2020, 01.01.2021-31.12.2021 and 01.01.2022-30.06.2022

**Peak and Bottom Closing Values of Company shares traded at BIST  
between 25.09.2021 and 26.09.2022**

<b>Bottom (TL)</b>	<b>Peak (TL)</b>
<b>8.10- (06.10.2021)</b>	<b>68.35- (22.09.2022)</b>

**Source:** Alarko Holding A.Ş.

**The Market where the Capital Market Instrument is Traded and the Indexes that the Company is  
Included**

YILDIZ PAZAR

BIST İSTANBUL / BIST 100 / BIST YILDIZ / BIST 50 / BIST 100-30 / BIST HOLDİNG VE YATIRIM / BIST  
MALİ / BIST KURUMSAL YÖNETİM/BIST TÜM

**Source:** [www.kap.org.tr](http://www.kap.org.tr)

**Information about Company Activities**

Alarko Holding A.Ş. was established in 1954 as a collective company by İshak Alaton and Üzeyir Garih.

Alarko Holding A.Ş, which became a holding company in 1973 and went public in 1974, is today one of the leading industrial establishments in Turkey with its deep-rooted history of more than 65 years, 6 different fields of activity, a total of 26 establishments, including one with international foreign partners, and 7,000 employees.

Although the companies included in the Alarko Group of Companies are autonomous in terms of management, they are directed and supervised from a single center in terms of finance, financial coordination, auditing, legal transactions, management information systems, human resources, training, promotion, and organization in accordance with the principle of central coordination and supervision.

Companies included in the Alarko Group of Companies are gathered in the following 6 main activity groups:

- CONTRACTING GROUP
- ENERGY GROUP
- INDUSTRY AND TRADE GROUP
- TOURISM GROUP
- LAND DEVELOPMENT GROUP
- VENTURE CAPITAL GROUP

**Contracting Group:** With the principle of "Quality in Service and Production", the Contracting Group, which adopts customer satisfaction as its main principle, performs the turnkey construction of airports, rail systems, large infrastructure, industrial facilities, business centers, hotels, hospitals, and similar projects in the country and abroad as a general contractor. The Contracting Group, which operates in a wide geography, has focused on Kosovo, Albania, Bulgaria, Moldova, Azerbaijan, and Qatar, apart from Romania, Russia, Ukraine, North and Central African markets, in addition to its existing working

regions, within the scope of its search for new markets. The Group continues to monitor business potentials in these regions in 2021.

**Energy Group:** Continuing its investments rapidly, taking into account the increase in energy consumption in the international arena and in our country, the Energy Group also engages in Energy Trade activities in addition to Energy Production and Energy Distribution. Turkey's first photovoltaic (PV) solar power plant in Meram Elektrik Dağıtım A.Ş. (MEDAŞ), which was taken over in 2009 with privatization, started production in 2012 in addition to hydroelectric, natural gas and thermal power plant projects.

In the Energy Production segment, Alarko Holding A.Ş. production portfolio with an energy production capacity of 1,539 MWh includes two HEPPs, one of 76 MWh and the other 11 MWh, one 51 MWh HEPP and 1,320 MWh imported coal-fired thermal power plant. The energy group, which sees that sustainable energy production facilities will continue to become more important in our country as well as in the world, and takes steps in this direction, aims to diversify, and develop its portfolio. In this context, the company continues to invest in SPP, WPPs and HEPPs.

Within the scope of electricity distribution activities, Meram Elektrik Dağıtım A.Ş. (MEDAŞ) provides electricity distribution services in an area of 76,932 km<sup>2</sup> covering the provinces of Konya, Karaman, Aksaray, Nevşehir, Niğde and Kırşehir and corresponding to approximately 10% of Turkey's surface area. In parallel with the aim of increasing productivity and efficiency by narrowing the geographical area of responsibility of the plants, MEDAŞ, which has 37 independent plants, provides services to 6 provinces, 63 districts, 61 towns, 871 villages and 499 village-affiliated plateaus with a total of 70 plants with 33 sub-plants working under these plants. MEPAŞ, which provides electricity retail sales services to approximately 2.5 million customers through 11 plants, 8 subsidiaries and 43 dealer channels, has increased the services offered through alternative service channels to increase customer satisfaction and made them available to its customers. Improvement studies continue to ensure that customers can perform as many transactions as possible on the internet without coming to the branches. The results of the improvement works conducted to ensure customer satisfaction were obtained in 2020, as in 2019, and the company was listed by the Ministry of Energy and Natural Resources as one of the distribution companies with the highest satisfaction rate in Turkey.

**Industry and Trade Group:** The subsidiary field of industry and trade group, of which main field of activity is "air conditioning", is water pressurization. The strategic partnership that Alarko Industry and Trade Group established in 1998 with the American Carrier company, one of the world's leading companies in the field of air conditioning, gave birth to Alarko Carrier and accelerated the entire group. Alarko Carrier San. Ve Tic A.Ş. manufactures products in these fields and represents international leading brands and offers sales and after-sales services. With its heating, ventilation, air conditioning and pump production, sales and after-sales services, Industry and Trade Group continued to grow steadily and successfully.

**Tourism Group:** It is the first institution that introduced the concept of "leisure", which can be expressed as "individuals making use of their free time in an efficient and quality way", to Turkey since the first day it started to serve and ensured the development of the sector in this field. In the last two years, when the tourism and service sector experienced a major crisis due to the pandemic, it has proactively and rapidly implemented some of its pioneering practices. It always aims to be "above the competition" with its Hillside Beach Club, Hillside City Club, Cinacity Cinemas and Sanda Spa businesses. In this sense, while it serves its visitors with 330 rooms and 781 beds at Hillside Beach Club, it reaches its customers with Cinacity cinemas in 14 locations in 2 cities.



**Land Development Group:** With its knowledge and experience of more than 50 years, it designs satellite cities with ready infrastructure, recreation areas, and managed with modern management organizations without compromising environmental principles. The Land Development Group has conducted many housing projects for the middle and upper-income groups, as well as business centers, hotel, and holiday village projects, especially with the “Alkent” brand. It has aimed to realize its projects designed as living spaces that are sensitive to the environment, befitting people, and modern cities, at the most affordable costs. It has increased its reliability and prestige with the quality it has achieved in its projects with the experience gained over many years. All settlements that have been completed and delivered always continue to be preferred. As one of the most important brands of the construction industry, the Alkent brand is known and preferred by all segments and maintains its privileged place in the market as a symbol of high quality.

**Venture Capital Group:** It invests in the next generation companies that promise high potential based on technology. There are 5 main categories of investment strategies in rapidly developing digital companies on a global basis. These include online marketplaces, healthcare, financial technology, real estate technology, and supply chain/logistics.

Alarko Holding A.Ş. has TSE-ISO 14001:2015 Environmental Management System, as a stakeholder of Group Companies Integrated Management Systems. Environmental management and commitments in this direction are conducted in accordance with international environmental management systems. It has established its own environmental management systems in line with TSE-ISO 14001:2015 Environmental Management System Standard and obtained a certificate from TSE, which conducts independent audits, ensuring continuity. It complies with the Social Policy, Environment and Occupational Health and Safety traditions in the Industry and Trade business line with ISO 50001, ISO 45001 Standards. Tourism Group has ISO 18001, Safe Tourism Certificate, Zero Waste Foundation Certificate, Blue Flag Certificate, HACCP Gold Certificate and Travelife Gold certificates, undergoing regular audits and complying.

#### CAPITAL AND SHARE RATIOS OF SUBSIDIARIES

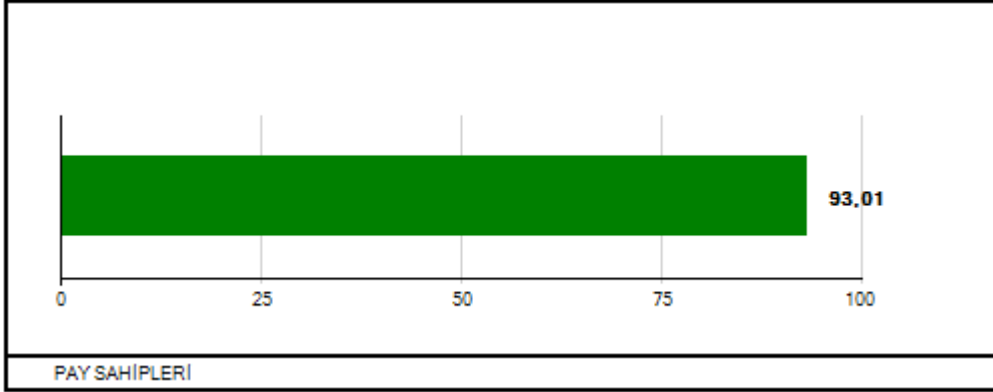
Title of the Subsidiary Company	Line of Business	Registered Capital (TL)	Indirect Share of Participation (%)	Direct and Indirect Participation Share (%)
Alarko Carrier Sanayi ve Ticaret A.Ş.	Heating, Cooling, Air Conditioning Equipment manufacturing, Contracting, Tourism	10,800,000	42.03	43.19
Alsim Alarko Sanayi Tesisleri ve Ticaret A.Ş.	Complete Facility Commitment, Construction and Tourism	200,000,000	99.91	99.91
Alarko Fenni Malzeme Satış ve İmalat A.Ş.	Marketing of Industrial Products and After-Sales Services	230,000	88.68	99.98
Attaş Alarko Turistik Tesisler A.Ş.	Touristic Facility Management	21,500,000	0.46	99.91
Alarko Gayrimenkul Yatırım Ortaklığı A.Ş.	Buying and Selling Real Estate and Real Estate-Based Market Instruments	64,400,000	16.41	51.20
Alen Alarko Enerji Ticaret A.Ş.	Purchase and Sale, Import and Export of Electrical Energy,	2,000,000	16.95	99.94
Altek Alarko Elektrik Sant. Tes. İşl. ve Tic. A.Ş.	Electric Energy Generation	92,500,000	40.13	99.96

Title of the Subsidiary Company	Line of Business	Registered Capital (TL)	Indirect Share of Participation (%)	Direct and Indirect Participation Share (%)
Alarko Enerji A.Ş.	Energy Production	226,975,276.31	89.24	99.93
Aldem Alarko Konut İnşaat ve Ticaret A.Ş.	Housing, Construction	50,000	0.13	99.91
Al-Riva Projesi Arazi Değerlendirme Konut İnşaat ve Tic. A.Ş.	Housing, Construction	6,839,063.84	11.55	12.13
Al-Riva Arazi Değerlendirme Konut İnşaat ve Tic. A.Ş.	Housing, Construction	3,308,555.70	2.49	2.63
Al-Riva Arazi Değerlendirme Konut İnşaat Turistik Tesis. Golf İşl. ve Tic. A.Ş.	Housing, Construction and Touristic Facility Management	10,489,764.84	2.16	2.28
AO Mosalarko	Design, Construction and Use of Real Estate	30,000,000(rubles)	-	51.20
Tüm Tesisat ve İnşaat A.Ş.	Construction Works	141,000	49.15	50.15
Saret Sanayi Taahhütleri ve Ticaret A.Ş.	Construction	75,000	100.00	100.00
Alyat Teknoloji Yatırımları Holding A.Ş.	Activities of the Holding Companies	70,000,000	99.50	99.50
Alarko Konut Projeleri Geliştirme A.Ş.	Real Estate Development, Construction and Marketing	22,193,713	0.0005	99.91
Alcen Enerji Dağıtım ve Perakende Satış Hizmetleri A.Ş.	Establishment, Transfer or Operation of Energy Distribution Facilities	214,560,000	-	49.95
Meram Elektrik Dağıtım A.Ş.	Electric Energy Distribution	496,032,904.58	0.0000	49.96
Meram Elektrik Enerjisi Toptan Satış A.Ş.	Electric Energy Trading	4,050,000	0.1	49.96
Meram Elektrik Perakende Satış A.Ş.	Electric Energy Trading	13,545,520.42	0.0001	49.96
Cenal Elektrik Üretim A.Ş.	Establishment and Operation of Electric Energy Plant	1,377,425,350	-	49.96
Algiz Enerji A.Ş.	Establishment and Operation of Electric Energy Plant	845,000	-	49.96
Panel Enerji A.Ş.	Establishment and Operation of Electric Energy Plant	6,500,000	-	49.95
Bakad Investment & Operation LLP	Construction Works	50,662,690,000 (Kazakh tenge)	-	33.27
Bakad International B.V.	Holding	117,054,309 (USD)	-	33.27
ALSİM ALARKO S.R.L.	Construction	20,000 (Ron)	-	99.91
SARET KZ	Construction Works	600,000 (Kazakh Tenge)	-	100.00
Obrascon Huarte Lain SA – Alsim Alarko San.Tes.ve Ticaret A.Ş. Business Partnership	TCDD Ankara - Eskişehir High Speed Train Project	-	-	45.00

Source:www.kap.org.tr

## 4. RATING SECTIONS

### A. SHAREHOLDERS



#### Overview

- ✓ Investor Relations Department has been established in order to conduct healthy relations with Shareholders.
- ✓ The general meetings were held in accordance with the relevant laws, regulations, and articles of association.
- ✓ A Donation and Aid Policy has been established.
- ✓ At the general assembly meeting, the shareholders were informed about the amount and beneficiaries of the donations and aids made during the period.
- ✓ There are no arrangements making exercise of voting right difficult.
- ✓ Dividend distribution policy has been prepared, presented to the approval of the General Assembly, and disclosed to public.
- ✓ There is a regulation in the Articles of Association regarding the possibility of making advance dividend payments.
- ✓ There is no restriction on transfer of shares.
- ✗ **General Assembly meetings are not held open to the public.**
- ✓/✗ It would be appropriate to have a provision in the articles of association

that the general assembly meetings will be open to the public.

- ✓/✗ Making a regulation that expands minority rights in the articles of association will strengthen compliance with Corporate Governance Principles.

In this section, as determined by CMB's Corporate Governance Principles, the company was evaluated on **111** different criteria, under the headings of **Facilitating the Exercise of Shareholders' Rights, Shareholders' Right to Obtain Information and to Examine, Shareholders' Right to Attend the General Assembly, Shareholders' Right to Vote, Rights of Minority Shareholders, Shareholders' Right for Dividend and Shareholders' Right to Transfer Their Shares to whomever they want, whenever they want.** The company's grade for this section has been revised as **93.01**points.

#### *a. Facilitating the Exercise of Shareholders' Rights*

Activities on relations with shareholders are conducted by the Investor Relations Directorate, which reports to the Head of Strategy and Business Development.

. Özgür KALYONCU started to work as Investor Relations Director on 12.06.2019. In

accordance with the CMB's Corporate Governance Communiqué No. II.17-1, he was appointed as a Member of the Corporate Governance Committee as well. The aforementioned development was announced to the public with the Material Disclosure of the same date. KALYONCU has Capital Market Activities Advanced Level and Corporate Governance Rating Specialist Licenses.

It has been seen that the aforementioned executives are at a sufficient level with the knowledge and experience required by the task and play an active role in protecting and facilitating the use of shareholders' rights, especially the right to obtain and review information.

It has report to the Board of Directors several times a year. The Investor Relations Directorate presented 2 (two) reports in 2021 and 1 (one) report as of the end of June 2022.

Any data that might affect the exercise of shareholders' rights are currently at disposal of shareholders on the corporate Internet website.

It has been determined that the Company has achieved rather good compliance with the Corporate Governance Principles in this subsection.

#### ***b. Right to Obtain Information and to Examine***

The information required for the proper exercise of shareholders' rights are presented to the shareholders and to this end the company's corporate website <https://www.alarko.com.tr/> is used as an efficient platform. All information concerning the company has been given on time, truthfully and completely. There have been no warnings or penalties on this issue given by Regulatory authorities.

It was learned that the applications and questions submitted by the shareholders were attended via telephone and e-mail without any discrimination, and 34 questions in 2021

and 68 questions were answered in the first 6 months of 2022.

The "Disclosure Policy" adopted by the Board of Directors on 24.03.2014 was submitted to the approval of the shareholders at the general assembly held on 30.04.2014. This policy was updated with the decision of the board of directors dated 16.09.2022 and numbered 870. The Disclosure Policy is published on the corporate website of the company. Shareholders' right to obtain information is explained in detail in the aforementioned policy. It is understood that in accordance with the company's disclosure policy, all shareholders, potential investors, and analysts are treated equally in the exercise of the right to receive and review information, and care is taken to deliver the disclosures with the same content to everyone at the same time. Within the framework of information sharing, all kinds of information that may be of interest to shareholders and market players are announced to the public through material disclosures, and material disclosures are also published on the corporate website of the company.

Shareholders' right to obtain information and to examine is not cancelled or restricted by the Articles of Association or any department of the Company.

Although there is no regulation in the articles of association regarding the shareholders' right to request the appointment of a special auditor from the general assembly, there are no internal regulations or practices that make it difficult to exercise this right.

In this subsection, the Company has achieved rather good compliance with the Principles.

#### ***c. Right to Attend the General Assembly***

Due to the practices in the general assembly, the Company has adjusted a very good compliance with many principles hereunder.

The General Assembly meeting to discuss operations of 2021 took place on 27.04.2022.

The invitation to the general assembly meeting was published on the Public Disclosure Platform (KAP), the Central Registry Agency e-general assembly system (EGKS) on 30.03.2022, and in the Turkish Trade Registry Gazette (TTSG) dated 05.04.2022 and numbered 10552, and in a local newspaper. The meeting invitation was made at least 3 (three) weeks before the meeting date as stipulated by the principles.

Likewise, it has been understood that the financial statements, annual report, audit reports, profit distribution proposal of the board of directors, notifications and explanations required by the shareholding in accordance with the relevant legislation and Corporate Governance Principles, which should be made available for the examination of the shareholders within the framework of Article 437 of the TCC numbered 6102, were submitted to the information of the shareholders 3 weeks in advance.

It has been learned that in order to increase the participation of the shareholders, the general assembly meetings are held in a way that does not cause inequality among the shareholders and ensures the participation of the shareholders at the lowest possible cost.

Along with the general assembly meeting announcement, the information document was also published on the corporate website of the company and on the Public Disclosure Platform. The information document provides detailed information on the distribution of company shares, the voting rights granted by the shares and the privileges regarding voting, the written requests of the shareholders to the Investor Relations Department regarding the inclusion of an item on the agenda, and the persons to be nominated if there is a change or election of the members of the board of directors on the agenda. It also includes much information required to be announced to the shareholders and the public by the corporate governance principles.

During the preparation of the general assembly agenda, it was determined that the

agenda headings were expressed clearly and in a way that would not lead to different interpretations, and care was taken not to include phrases such as "other" "various" in the agenda.

Executives and auditors who are authorized to brief participants on special subjects and answer their questions have attended to the meeting.

Attending top managers were; Izzet GARIH (Chairman of the Board of Directors), Mr. Vedat Aksel ALATON (Deputy Chairman of the Board of Directors), Mr. Niv GARIH (Member of the Board of Directors), Ms. Leyla ALATON (Member of the Board of Directors), Mr. Ayhan YAVRUCU (Member of the Board of Directors) Ms. Neslihan TONBUL (Independent Member of the Board of Directors), Mr. Burak KOÇER (Independent Member of the Board of Directors), Mr. Ümit Nuri YILDIZ (Member of the Board of Directors – Group Chief Executive Officer), Mr. Mehmet AHKEMOĞLU (Chairman of Financial Affairs Group), Mr. Serkan DEMİR (Chairman of Information Technologies and Digital Transformation Group), Mr. Alparslan SERPEN (Chairman of Strategy and Business Development Group) and Ms. Pınar YAMANER (Chairman of People and Organization Group), Mr. Özgür KALYONCU (Investor Relations and Corporate Communications Director) and Independent Audit Company Representative.

As the result of the review of General Assembly minutes, it is determined that the agenda items were voted separately, the votes were counted and announced to the shareholders before the end of the meeting. Shareholders or their proxies who physically attended the meeting voted by raising their hands. During the discussions made with company officials, it was learned that the chairman of the meeting took care to convey the topics on the agenda in an impartial and detailed manner, with a clear and understandable method, and the shareholders were given the opportunity to express their thoughts and ask questions under equal conditions.



It has been learned that the chairman of the meeting ensures that every question asked by the shareholders at the general assembly meeting, which is not considered as trade secrets, is answered directly at the general assembly meeting.

It was also included in the agenda of the general assembly meeting that the shareholders holding the management dominance, the members of the board of directors, the managers with administrative responsibility, and their spouses and relatives by blood or marriage up to the second degree should be allowed to make an important transaction that may cause a conflict of interest with the company or its subsidiaries and/or the company or its subsidiaries to perform a commercial transaction on behalf of themselves or someone else, or to enter into another company dealing with the same type of commercial business as an unlimited partner.

In accordance with the provisions of the CMB's communiqué numbered II-17.1, the general assembly was informed about the guarantees, pledges and mortgages given in favor of third parties.

The Company has established the "Donation and Aid Policy" and it has been accepted with the decision of the board of directors dated 16.09.2022 and numbered 870. It has been announced that the aforementioned policy will be submitted for the approval of the shareholders at the first general assembly. In the general assembly where the activities of 2021 were discussed, the shareholders were informed about the amount and utilizers of all donations and aids made during the period, with a separate agenda item.

In the Corporate Governance Principles, a regulation was recommended to exist in the company's articles of association that the general assembly meetings will be held open to the public, including the stakeholders and the media, without the right to speak. Although the minutes of the general assembly meeting are announced to the public by being

published on the Public Disclosure Platform, the corporate website of the company and the electronic general assembly system (EGKS), in accordance with the relevant legislation, inviting the media and stakeholders to the general assemblies and ensuring this issue is governed by the articles of association will bring compliance with the principles in this subsection to a higher level.

The company's practices in this subsection are in good compliance with the principles.

#### ***d. Voting Right***

Neither the Articles of Association nor the internal procedures contain any difficulties to exercise the voting right and opportunity to exercise the voting right in the easiest and most convenient manner is given to each shareholder.

According to the company's articles of association, each share has 1 (one) voting right.

It is possible for the shareholders to exercise their voting right in person or by proxies, whether a shareholder or not, at the general assembly meetings. The members are submitted with the specimen proxies to be used for this purpose on Public Disclosure Platform, at firm's headquarters and on corporate internet website.

In the information document prepared before the general assemblies, detailed information is given on the distribution of company shares, the voting rights granted by the shares and the absence of privileges regarding voting.

The Company does not have a mutual subsidiary which brings a relationship of sovereignty.

Alarko Holding A.Ş.'s practices of in this heading are fully in accordance with the principles.

**e. Minority Rights**

There has been no violation of exercising basic minority shareholders' rights like attendance to the general assembly meeting, representation by proxy and imposition of no upper limit for voting rights. In this manner it has been observed that care is given to the exercise of minority rights.

The issue that the shareholders constituting one-twentieth of the capital may request the Board of Directors to call the General Assembly for a meeting by stating the necessary reasons and the agenda in writing, or to put on the agenda the issues they want to be resolved if the General Assembly is to be convened anyway, has been stipulated by the company's articles of association and has been evaluated as a practice that strengthens compliance with the principles.

However, there is no adjustments made to extend minority rights with Articles of Association and covering those shareholders who have less than 1 / 20 of the capital.

**f. Dividend Right**

The profit distribution policy, which was established on 28.04.2010, was submitted to the approval of the shareholders at the Ordinary General Assembly meeting held on 30.04.2014. The aforementioned policy was revised in 2019, accepted at the board meeting dated 21.11.2019 and approved by the shareholders at the ordinary general assembly meeting held on 17.07.2020. It has been determined that the dividend distribution policy, established within the framework of the CMB's Dividend Communiqué No. II-19.1, contains minimum information clear enough for investors to predict the dividend distribution procedures and principles that the company will obtain in the future.

In Article 58 of the Articles of Association, which regulates the distribution of profit, it is stipulated that the general assembly has the right to decide on the distribution of 5% of the legal reserves and the remaining profit after

the first dividend distribution, not exceeding 10% of the balance sheet profit, to the members of the board of directors, civil servants, employees and workers and the way of distribution of the allocated amount will be decided by the Board of Directors.

Again, in the same article it is stated that

The dividend will be distributed equally to all existing shares as of the distribution date, regardless of their issue and acquisition dates,

The distribution method and time of the profit that is decided to be distributed will be decided by the general assembly upon the proposal of the board of directors on this matter,

According to the provisions of the articles of association, the dividend distribution decision made by the general assembly cannot be revoked,

In accordance with the Capital Market Law and Communiqués, the General Assembly may decide to distribute advance dividends.

There are no privileges in the distribution of dividends.

The company has earned a net distributable profit of 1,269,538,682-TL (1,269,636,482-TL with donations added) according to the 2021 financial statements prepared in accordance with the CMB regulations and 92,683,038.71 TL according to legal records.

At the board meeting dated 30.03.2022, it was decided to

- Distribute 92,683,038-TL (gross) to the shareholders, which corresponds to 7.30 %of the net distributable profit obtained as a result of 2021 activities,

- Add the remaining amount to extraordinary spare funds,

- Distribute total 7,366,962- TL' (gross) to the shareholders as dividend in cash, of which 2,327,713.89 TL was added to the



extraordinary spare funds in previous year and 5,039,248.11 TL from the amount transferred to special funds,

- Start distributing dividend on 06.05.2022 and
- Submit this proposal to the approval of the General Assembly.

The profit distribution proposal of the Board of Directors was discussed and accepted at the General Assembly held on 27.04.2022 and distributed to the shareholders on the specified date.

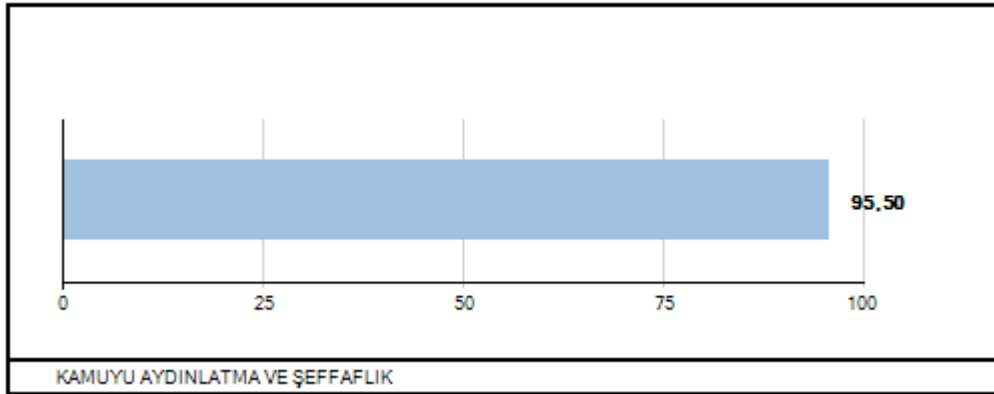
It has been determined that Alarko Holding A.Ş. has achieved very good compliance with the Corporate Governance Principles in this subsection.

***g. Transfer of Shares***

There is no regulation in the articles of association that restricts the transfer of shares. The transfer of company shares is subject to the provisions of the Turkish Commercial Code, the Capital Markets Law, and the relevant legislation.

The practices of Alarko Holding A.Ş. in this subsection fully meet the Corporate Governance Principles.

## B. PUBLIC DISCLOSURE AND TRANSPARENCY



### Overview

- ✓ A disclosure policy has been created, submitted to the approval of the general assembly, and announced electronically to the public.
  - ✓ Important Board decisions are announced on the website.
  - ✓ Corporate website is used effectively as a current tool for public disclosures within the context as stated by the principles.
  - ✓ The information contained in the corporate website is also published in English.
  - ✓ The annual report includes information on the risk management policy that the company will implement against the foreseen risks.
  - ✓ Liability statements of the members of the board of directors responsible for financial reporting are included in the annual report.
  - ✓ The real person ultimate controlling shareholders of the company are disclosed to the public on the corporate website.
- ✓/\* It would be appropriate to include information about whether there were significant asset purchases or sales during the period in the activity report;
- ✓/\* Tables showing the amounts of commercial and financial relations with indirect and direct subsidiaries during the period in the annual report.
- As for this section, the Company has been assessed by **93** different criteria under the headings of **Corporate Website** and **Annual Report** as laid down in the Corporate Governance Principles of the Capital Market Board, for which the Company has deserved the grade of **95.50**.
- Alarko Holding A.Ş., conducts public disclosures within the scope of its Public Disclosures Policies developed by the board and disclosed to public. The aforementioned policy was updated during the monitoring period and was accepted with the decision of the board of directors dated 16.09.2022 and numbered 870.
- The disclosure policy includes information on how, how often and in what ways the information to be disclosed to the shareholders, current and potential investors and the public will be announced, and the method to be followed in answering the questions directed to the company.
- The officials in the Company who are charged with disclosures and have the authority for

signature are: Mr. Ümit Nuri YILDIZ (CEO), Mr. Mehmet AHKEMOĞLU (CFO), Mr. Süleyman Sami INAL (Financial Affairs Director). The named persons have been assigned to maintain and monitor all kinds of issues related to public disclosure.

The independent external audit for 2021 was conducted by BDO Denet Bağımsız Denetim ve Danışmanlık A.Ş. (Member BDO International Network). There are no cases where the independent audit avoided expressing opinion, expressed opinion with conditions or avoided signature in the reports. During the meeting with the company officials, it was learned that there was no development that would harm the independence of the independent audit firm and its auditors and that there was no legal dispute. The same institution was elected as the independent auditor with the recommendation of the audit committee and the approval of the general assembly for the audit of the accounts and transactions of the 2022 operating year within the framework of the Capital Markets legislation, the Turkish Commercial Code, and the relevant legislation.

#### **a. Corporate Website**

The corporate website (<https://www.alarko.com.tr/tr/ana-sayfa>) is updated regularly and the website is being used as an active and effective platform for disclosure to public. It has been determined that the information in the company's corporate website is consistent with the statements made as part of regulations and there is no missing or conflicting information.

In addition to the information that is required to be disclosed in accordance with the legislation, there is a lot of information on the company's website such as partnership and management structure as of the latest status, the committees of the board of directors and the working principles of the committees, the date and number of the trade registry gazettes in which the amendments were published, the final version of the company's articles of association, material disclosures, financial reports, annual reports, agendas of general

assembly meetings, list of attendees and meeting minutes, proxy voting form, and information requests under frequently asked questions.

In addition, Dividend Policy, Human and Organization Policy, Stakeholders Policy, Compensation Policy, Women Members of the Board of Directors Policy, Ethical Rules of Conduct and Working Principles, Information Policy, Donation and Aid Policy, Remuneration Policy and Company's Share Repurchase Policy are also included.

On the other hand, the fact that the real person ultimate controlling shareholders were disclosed to the public on the corporate website by eliminating indirect and cross-shareholding relations strengthened compliance with the principles.

This information on the website is also published in English for international investors.

Financial statements, which are required to be disclosed to the public in accordance with the capital market legislation, are disclosed simultaneously in English as well as Turkish on the Public Disclosure Platform. English explanations are presented in such a way that they are accurate, complete, direct, understandable, sufficient, and consistent with the Turkish language of the explanation to help those who will benefit from the explanation to make a decision.

In this subsection, it has been seen that Alarko Holding A.Ş. has achieved a very good level of compliance with corporate governance principles.

#### **b. Annual Report**

It is seen that board of directors has prepared the annual report in such a way that public can access comprehensive, complete, and correct information on company activities. Annual reports of the last five years are accessible for shareholders and the public in electronic environment.

The annual report for the accounting period ending on 31.12.2021 was signed and approved by the 10.03.2022 and numbered 854.

It is possible to reach many topics in the annual report, including;

- Curriculum vitae and terms of office of members of the board of directors and senior executives,
- Information about the sector that company operates in and about its position within the sector.
- Information about the sources of financing of the enterprise,
- Changes made to the articles of association during the period and their reasons,
- Report on Compliance with Corporate Governance Principles
- Independent auditor's report on the annual activity report.

Also, in addition to the issues specified in the legislation and other parts of the corporate governance principles, the annual reports include;

- Board members' and managers' ongoing jobs outside the company,
- Independence declaration of independent board members,
- Members of subcommittees within the board of directors and meeting frequencies of these committees,
- Changes of regulations, which might significantly affect company operations,
- Information about important lawsuits filed against the company and their possible consequences,
- Information about the social rights of employees, their professional education and
- A lot of information related to shareholders, potential investors, and the public.

The annual report has been strengthened by including;

- No capital market instruments were issued during the period,
- The company does not have a conflict of interest with the institutions from which it provides services such as investment consultancy and rating,
- Risk management policy, practices, and evaluation,
- Significant events after the closing of the accounting period; and
- Financial statements and annual report liability statements

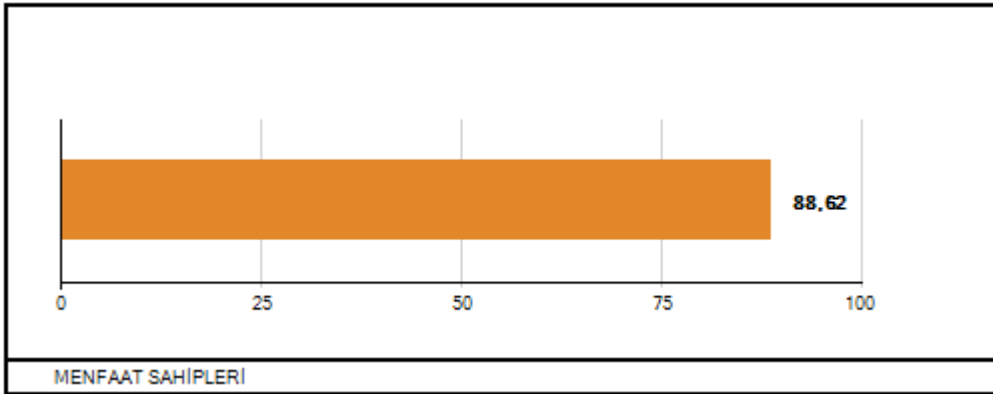
On the other hand, Alarko Holding A.Ş has disclosed the Sustainability Principles Compliance Framework to the public in its annual report in accordance with the provisions of the Communiqué (II-17.1.a) Amending the Corporate Governance Communiqué (II-17.1) published in the Official Gazette dated 02 October 2020 and numbered 31262.

However, including

- Tables showing the amounts of commercial and financial relations realized during the period with indirect and direct subsidiaries,
- Asset purchases and sales of a considerable amount during the period

will bring compliance with corporate governance principles to a higher level.

## C. STAKEHOLDERS



### Overview

- ✓ There are no regulations that make it difficult for stakeholders to exercise their rights.
  - ✓ Human resources policy and many internal regulations concerning customers and stakeholders have been prepared.
  - ✓ The wage policy for the company's employees was established, submitted to the approval of the general assembly, and published on the corporate website of the company.
  - ✓ Compensation Policy has been established for company employees
  - ✓ Training procedures for employees have been established.
  - ✓ There are no complaints made by employees about discrimination and difficulties in getting their rights.
  - ✓ The Company has established Corporate Social Responsibility Policies and published them on its corporate website.
  - ✓ Within the scope of trade secret, attention is paid to the confidentiality of information about the parties with whom commercial relations are conducted.
- ✓/\* It would be appropriate to develop mechanisms and models supporting the participation of employees and stakeholders in the company management and to include them in the Company's articles of association and internal regulations.

In this section, the Company has been assessed by **104** different criteria under the headings of **Corporate Policies on Stakeholders, Supporting Stakeholders' Participation in Company Management, Company Policy on Human Resources, Relations with Customers and Suppliers, Ethical Rules and Corporate Social Responsibility and Sustainability** as laid down in the **Corporate Governance Principles of the Capital Market Board**, for which the Company has deserved the grade of **88.62**.

#### a. Corporate Policies on Stakeholders

The Corporate Governance Principles describe the Stakeholders as an individual, organization or interest group as employees, creditors, customers, suppliers, trade unions, various non-governmental organizations having an interest in attainment of company's objectives or in its operations. It is concluded that Alarko Holding A.Ş. protects stakeholders' rights, which are specified in regulations and mutual contracts.

It has been observed that the company respects the rights of the stakeholders regulated by the legislation and mutual agreements, and in cases where the rights of the stakeholders are not regulated by the legislation, it is in an effort to protect the interests of the aforementioned group within the framework of goodwill rules and within the company's possibilities, taking into account the reputation of the company, and many internal regulations have been made for this purpose.

A Remuneration Policy for the company's employees was established, presented to the information of shareholders at the general assembly, and disclosed to the public on the corporate website.

The Compensation Policy established for the employees was approved and disclosed to the public by the decision of the Board of Directors dated 16.09.2022 and numbered 870.

It is determined that the stakeholders are adequately informed about the Company's policies and procedures regarding the protection of their rights.

Company's practices in this subsection comply with the principles.

***b. Supporting Participation of Stakeholders in Corporation's Management***

There are no regulations in the company's articles of association that support the direct participation of stakeholders in the company management. However, it has been seen that employees' opinions are indirectly taken in important decisions.

The "Stakeholders Policy" established was approved by the Board of Directors dated 16.09.2022 and numbered 870 and entered into force. According to this;

With the Employee Satisfaction Survey, employees' expectations about the company and management are gathered and their

suggestions for improving work and working conditions are evaluated. In addition, improvement suggestions are received from the employees through internal communication and information meetings. With the lean management system implemented throughout the company, employees are provided with the opportunity to give and implement suggestions, and suggestions are received from employees on remedial activities.

Systems are used to ensure that all employees do the right job at the right time, develop their knowledge and skills in line with their needs, and receive constructive and timely feedback on their performance. With effective talent management practices, the leaders of the future are determined among the employees. Employee participation is strengthened through various communication practices, efforts are made to increase employee loyalty, and all measures are taken to provide a healthy and safe working environment.

Various meetings are held with customers, suppliers, and potential and current investors.

These models, which can support the participation of employees in company management, are already in practice and are recommended to be developed further.

***c. Human Resources Policy of the Corporation***

It has been observed that procedures for hiring, working conditions, registry and discipline practices, performance measurement, personnel's authority and responsibilities, training, wages, health and leave rights, promotion and job changes, dismissal, death, resignation, and retirement have been established. Some of the aforementioned procedures were updated during the monitoring period and entered into force with the decision of the board of directors.

These documents are kept on a portal accessible to all employees. It has been



observed that these policies and procedures are adhered to in practice as well. Both during development of the policies and in practice we got the impression that equal opportunity is given to individuals under equal conditions.

A job description has been created for all employees. It has been learned that performance and rewarding criteria are determined and implemented every year upon mutual agreement with the employees. It has been learned that the necessary measurement and evaluation are made with the performance evaluation system being applied, and these evaluations are taken into account during the remuneration and career planning.

It has been determined that training programs have been established by the company to increase the knowledge, skills, and manners of the employees. In 2021, a total of 266,032 man/hours of training was provided within the Group, and approximately 335,399 man/hours of training was provided together with the trainings received from outside. In line with the training needs of the personnel, technical, financial, administrative and computer training seminars were organized within the Company, and relevant employees were encouraged to attend the seminars organized by professional training institutions outside the company. In addition, job shadowing training on welding, assembly and other manufacturing, construction, ISO 9000, and Occupational Safety were given in the factories. For 2022, 422,000 man/hour training has been planned.

The impression was gained that all employees are treated equally in terms of wages, promotions, rewards, training, and other rights.

It has been learned that a safe working environment and conditions are provided for the employees, and that no race, religion, language, or gender discrimination is made among the employees.

In 2021, a total of 5,010 people, 1,579 white-collars, most of whom are engineers and architects, and 3,431 technicians and workers were employed in the Companies and Institutions within the body of Alarko Holding A.Ş. Among the Group Companies, 232 blue-collar employees employed only in Alarko Carrier Sanayi ve Ticaret A.Ş. were united under the umbrella of the Turkish Metal Union and TİS is valid between 01.09.2021 and 31.08.2023.

The organizational structure of the company has been determined according to the working conditions, the units, the number of people to be employed in these units and their qualifications have been written down with in-house regulations.

Employee stock-options schemes are not developed.

Freedom of association and/or membership is not restricted, provided that permission is obtained.

In this subsection, it has been determined that company practices are compliant with corporate governance principles.

#### ***d. Relations with Customers and Suppliers***

Alarko Holding A.Ş. is a portfolio management company and has no customers. In addition, the confidentiality of information is given importance and care is taken to use the necessary technology in this regard.

#### ***e. Ethical Rules, Corporate Social Responsibility***

A set of Ethical Rules and Principles that all employees must comply with has been prepared and disclosed to the public on the company's corporate website and annual activity reports. "Alarko Holding A.Ş. and Group Companies Code of Ethical Conduct and Working Principles" has been updated and entered into force after being approved by the Board of Directors' decision dated 16.09.2022 and numbered 870. The method to be applied



when the attitude of the employees against the ethical rules is detected has been announced to the relevant parties.

Alarko Group of Companies especially provides support to education within the scope of its corporate social responsibility activities.

For the 2021-2022 academic year, 45 students in total who are studying in the last year of engineering, construction, economics, finance, and management departments of various universities or are doing their master's degree, 25 students in technical and vocational high schools and 44 children of community workers who are successful and in need of a scholarship were given scholarships by the Alarko Eğitim - Kültür Vakfı (ALEV), which was established in 1986. Thus, to date, 3,380 students have been given scholarships, of which 1,930 are higher education and 1,450 secondary education scholarships, and the Foundation's scholarships are non-refundable. The Foundation continues to cooperate with leading scientific and cultural foundations.

In addition;

Students are also contributed by Dr. Üzeyir Garih Scholarship and İshak Alaton Scholarship, which are funded by the Support Foundation operating within the Alarko Group of Companies.

It has been reported by the management of the company that there were no lawsuits filed against the company for reasons such as violation of shareholder rights or reduction of company assets during the rating period.

Likewise, no lawsuits have been filed against Alarko Holding A.Ş and other Group Companies, and no warning has been received, either during the period or in previous years due to any environmental damage.

#### ***f. Sustainability***

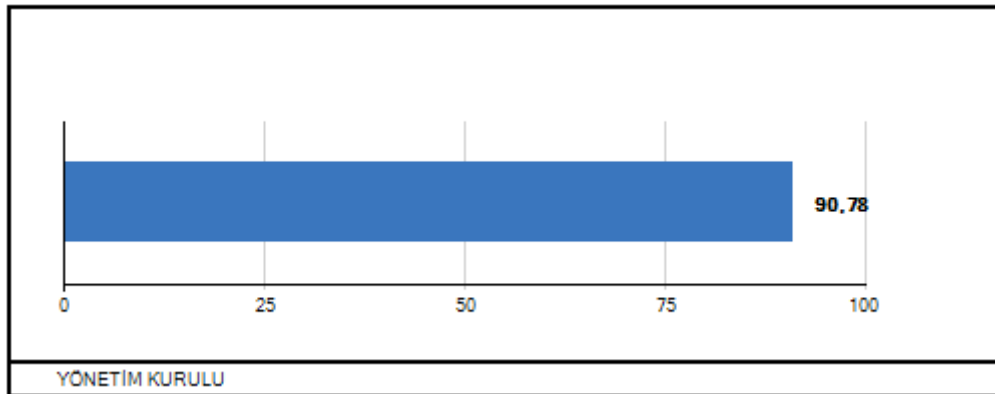
The company announced its "Sustainability Approach" to the public for the first time in its annual report, which contains its activities for

2020. It has gathered its sustainability activities under four main headings;

- General Principles,
- Environmental Principles,
- Social Principles,
- Corporate Governance Principles

Although this form of announcement complies with the content of the voluntary sustainability principles compliance framework in the Communiqué Amending the "Corporate Governance Communiqué (II-17,1) (II-17,1.a)" prepared by the Capital Markets Board and published in the Official Gazette numbered 31262 on October 2, 2020, it would be appropriate to announce them in the aforementioned format and in more detail.

## D. BOARD OF DIRECTORS



### Overview

- ✓ The Board of Directors has determined the strategic goals of the company and the human and financial resources it will need.
- ✓ The posts of Chairman and General Manager are conducted by separate individuals and there is not any person with solely unlimited authority in the company.
- ✓ The number of Board Members is adequate for them to work productively and constructively.
- ✓ It has been ensured that the majority of the members of the board of directors are non-executive members.
- ✓ Three of the non-executive board members are independent members.
- ✓ Every Board Member has one vote.
- ✓ There is not any loan/credit involvement between Board Members and company.
- ✓ Working principles of the board of directors have been determined.
- ✓ Corporate Governance, Audit and Early Detection of Risk Committees stated in the principles have been established and working principles are determined.
- ✓ A target rate and policy has been determined for the rate of female members in the board of directors, provided that it is not less than 25%.
- \* The members of the Board of Directors do not have financial liability insurance.
- \* There is no practice of rewarding or dismissing the members of the board of directors based on their performance.
- ✓/\* It would be appropriate to disclose the remunerations and other benefits provided to the members of the board of directors and executives with administrative responsibility in the annual report on an individual basis.
- ✓/\* Self-criticism and performance evaluation were started to be made in the board of directors.

In this section, the Company has been assessed by **148** different criteria under the headings of **Function of the Board of Directors, Principles of Activity of the Board of Directors, Structure of the Board of Directors, Procedure of Board of Directors Meetings, Committees Formed within the Structure of the Board of Directors and Financial Rights Provided for the Members of the Board of Directors and Executives** as laid down by the Capital Market Board's Corporate Governance Principles, for which the Company has gained the grade of **90.78**.

#### **a. Function of the Board of Directors**

By the strategic decisions it takes, Board of Directors manages and represents the company, keeping the risk, growth and return in balance while paying attention primarily to company's long-term interests under a reasonable and prudent risk management approach. In this sense, Board of Directors has described the corporate strategic objectives, and determined necessary human and financial resources. It also monitors company activities to be in compliance with regulations, Articles of Association, internal procedures and policies and it supervises management performance.

Board of Directors is authorized to make decisions, to determine strategy and represent the company at the highest level.

Alarko Holding A.Ş.'s practices in this subsection are in accordance with the principles.

#### **b. Principles of Activity of the Board of Directors**

It is our impression that the Board of Directors conducts its activities in an open, accountable, fair, and responsible fashion.

The distribution of responsibilities among board members, as well as their duties and powers are disclosed to public in the annual report.

It has been learned that the Board has established internal control systems, including risk management and information systems and processes, which can minimize the effects of risks that may affect the company's stakeholders, especially shareholders, and that it reviews the effectiveness of risk management and internal control systems at least once a year.

No person in the Company has the authority to decide solely and in an unrestricted fashion. Positions of Chairman of the Board and CEO are held by different individuals.

It is thought that Board of Directors plays a leading role in the maintenance of effective communication and in easing and resolving disputes that might arise between the company and the shareholders. For this purpose, the Board of Directors is in close cooperation with the Investor Relations Directorate.

It is thought that the board of directors is in constant and effective cooperation with the managers while fulfilling its duties and responsibilities, and it has been learned that the managers attend the board of directors' meetings when it is necessary.

Damages caused by the faults of the members of the board of directors during their duties in the company are not insured.

Regarding this subsection, it has been determined that the company has complied with the Corporate Governance Principles.

#### **c. Structure of the Board of Directors**

Company's Board of Directors is formed with 9 (nine) members; including one Chairman and 8 (eight) members. The requirement of having at least 5 (five) members to form the Board has been met and the number of Board Members found sufficient to serve effectively and productively and to form and efficiently organize activities of committees.

There are executive and non-executive members in the board of directors. 1 (one) member of the board of directors is executive and the other 8 (eight) members do not have an executive duty. With this structure, the Board complies with the principle that the majority of its members are non-executive members. On the other hand, 3 (three) of the non-executive members of the board of directors are independent members in accordance with the definitions in the corporate governance principles. The independent members of the Board of Directors submitted their written statements regarding their independence to the Nomination Committee within the framework

of the criteria set out in the legislation, articles of association and principles. The Nomination Committee has submitted a report dated 09.06.2020 to the Board of Directors, taking into account the candidate proposals for independent membership and whether the candidates meet the independence criteria.

There are 2 (two) female members in the Board of Directors. The company has set a target rate and target time for the female member ratio in the board of directors, not less than 25%, and has established a policy to achieve these targets. The aforementioned policy was discussed and accepted at the Board of Directors meeting dated 16.09.2022 and decision number 870. In the upcoming period, the board of directors should annually evaluate the progress in achieving these goals.

The company's practices in this subsection are in good compliance with the principles.

#### **d. Procedure of Board of Directors Meetings**

Articles of Association include provisions on necessary majorities for holding meetings and taking decisions.

Each member has one voting right at the Board of Directors. There are no affirmative or negative veto powers for any member.

When the decision book and practices are examined, it is understood that the board meets frequently enough to fulfill its duties effectively. It is stipulated in the Working Principles Regulation of the Board of Directors that the Board of Directors will meet at least 6 times in a calendar year in a planned manner and that the Chairman of the Board of Directors can hold additional meetings if needed.

From the examinations made on the meeting minutes of the board of directors, it was determined that the board convened 32 times in 2021 and 17 (seventeen) times as of June 2022.

It has been observed that the meetings of the board of directors are held in accordance with the regulations of the legislation and the articles of association regarding the meetings of the board of directors, and the meeting processes are also written down with the internal regulations of the company.

The meeting agenda of the Board of Directors is created by the chairman of the board of directors, taking the advice of the general manager of the company. The meeting call is made by e-mail at least five working days before the meeting. Supporting documents related to the agenda items are sent to all Board members simultaneously with the agenda by the Secretary of the Board of Directors.

The secretariat of the board of directors is conducted by Mr. Alpaslan SERPEN (CSO)

In this subsection the Company has achieved a very good compliance with corporate governance principles.

#### **e. Committees Formed within the Structure of the Board of Directors**

In order for the Board of Directors to fulfil its duties and responsibilities soundly, Audit Committee, Corporate Governance Committee and Early Detection of Risk Committees have been established. Due to the structure of the Board of Directors, a separate Nomination Committee and Remuneration Committee have not been established, and the duties of these committees are conducted by the Corporate Governance Committee. The working principles of the corporate governance committee have been prepared in accordance with this structuring.

The committees' duties, working principles and their members have been determined and approved by the Board of Directors as documents in writing; then they have been disclosed to public via electronic means. All the members of the Audit Committee are elected from among the independent members of the board of directors, and the

chairmen of the other committees are elected from among the independent board members, and the general manager does not take part in the committees.

All sources and support are provided by the Board to ensure that the committees perform their duties.

The committees invite the manager they deem necessary to their meetings and take advantage of his/her opinions.

**The Audit Committee** is composed of 2 (two) members with the independent status. The Committee monitors performance and effectiveness of company's accounting system, public disclosure of financial information, independent audit, and internal control system. The selection of independent audit company and supervision of its work at every stage is implemented by the audit committee. The Committee reviews the systems, processes, and activities of the company on accounting system, financial reporting, public disclosure, internal control and internal audit system, independent external audit, compliance with laws, regulations, and ethical principles.

The Audit Committee convened 7 (seven) times in 2021 and 5 (five) times as of June 2022.

#### **Internal Audit**

The Board of Directors has established a risk management and internal control mechanism. Administrative risks are periodically reviewed by the Audit Advisory and Approval Board (DDO) and the Early Detection of Risk Committee, which consists of members of the Holding's Board of Directors. The Audit Group periodically audits the internal control mechanism in accordance with the annual audit plans that it has approved and informs the senior management about the issues it has identified and its views on them.

The Audit Committee also examines the relevant issues and makes recommendations to the Audit Advisory and Approval Board. The

Audit Advisory and Approval Board, the Early Detection of Risk Committee and the Audit Committee determine the measures to be taken and give the necessary instructions to the company managers through the Group Chief Executive.

The Audit Department conducted 51 (fifty-one) inspections in 2021 and 24 (twenty-four) inspections as of June 2022. The Audit Department reports directly to the Group Chief Executive Officer.

**The Corporate Governance Committee** is responsible for determining whether the corporate governance principles are applied in the Company, if not, the reason and the conflict of interest arising from not fully complying with these principles and explaining them to the public with a corporate governance compliance report.

On the other hand, it has been determined that the corporate governance committee regularly reviews the structure of the board and makes recommendations to increase efficiency and performance.

The aforementioned committee consists of 4 (four) members. Its chairman is an Independent Member of Board. Other 2 (two) members have no executive duties. Another member serves as the Investor Relations Director and has been appointed as a member of the Corporate Governance Committee in accordance with the Capital Markets Board's Communiqué II.17-1.

In this way, a structure has been made in accordance with the principle that if the Corporate Governance Committee consists of two members, both of them, and if it has more than two members, the majority of the members are composed of non-executive members.

The Committee held 5 (five) meetings in 2021 and 2 (two) meetings as of June 2022.

**Early Detection of Risk Committee;** Consists of 3 (three) members. Its chairperson is an independent member. Other 2 (two) members have no executive duties.

The Committee held 1 (one) meeting in 2021. As of June 2022, it has not yet met and there is 1 (one) meeting planned until the end of the year. On the other hand, the committee conducts risk audits every two months in accordance with the provisions of the Turkish Commercial Code and conveys the audit results to the board of directors.

It has been determined that all committees regularly report on their work to the Board of Directors.

The secretariat of each three committees is conducted by Mr. Alpaslan SERPEN (CSO) In this subsection the Company has achieved a very good compliance with corporate governance principles.

**f. Financial Rights Provided for Members of the Board of Directors and Executives**

The principles of remuneration of the members of the board of directors and executives with administrative responsibility were put in writing, submitted to the approval of the general assembly, and shared with the public electronically.

It has been seen that actions have been taken in compliance with the principle, which states that stock-options or payment plans based on corporate performance should not be used for remuneration of independent members of board. The emoluments of independent directors are sufficient to protect their independency.

It has been learned that the Company has not lent or extended loan to any member of board or top executive or made available any credit under personal loan through any third person or provided securities such as surety in favor of them.

The performance measurement criteria of the members of the board of directors were determined and the first performance evaluation was made at the board meeting dated 20.09.2022. It has been learned that the evaluation outputs will be discussed at the board of directors to be held in November 2022.

However, there is no practice of rewarding or dismissing the members of the board of directors based on their performance.

On the other hand, it is seen that the remunerations and all other benefits provided to the members of the board of directors and top executives, although not on an individual basis, are disclosed in the annual report. However, it would be appropriate to fulfill the requirement that this information be disclosed on an individual basis, yet.



**5. KOBİRATE ULUSLARARASI KREDİ DERCELENDİRME VE KURUMSAL YÖNETİM HİZMETLERİ A. Ş. CORPORATE GOVERNANCE RATING GRADES AND DESCRIPTIONS**

<b>GRADE</b>	<b>DEFINITIONS</b>
<b>9-10</b>	<p>The Company achieved a substantial compliance with to the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are established and are operational. Any risks to which the Company might be exposed are recognized and controlled effectively. The rights of the shareholders are impartially taken care of. The level of public disclosure and transparency are high. Interests of the stakeholders are fairly considered. The structure and the working conditions of the Board of Directors are in full compliance with the Corporate Governance Principles. The Company is eligible for inclusion in the BIST corporate governance index.</p>
<b>7-8,9</b>	<p>The Company complied considerably with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are in place, and operational, although some improvements are required. Potential risks, which the Company may be exposed are identified and can be managed. The rights of the shareholders are impartially taken care of. Public Disclosure and transparency are at high levels. Interests of the stakeholders are fairly considered. Composition and operational conditions of the Board comply with the Corporate Governance Principles. Some improvements are needed in compliance with the Corporate Governance Principles even though they do not constitute serious risks. The company is eligible for inclusion in the BIST Corporate Governance Index.</p>
<b>6-6,9</b>	<p>The Company has moderately complied with the Corporate Governance Principles issued by the Capital Market Board. Internal Control systems at moderate level have been established and operated, however, improvement is required. Potential risks that the Company may be exposed are identified and can be managed. The interests of the shareholders are taken care of although improvement is needed. Although public disclosure and transparency are taken care of, there is need for improvement. Benefits of the stakeholders are taken care of, but improvement is needed. Some improvement is required in the structure and working conditions of the Board.</p>



<i>GRADE</i>	<i>DEFINITIONS</i>
4–5,9	<p>The Company has minimum compliance with the Corporate Governance Principles issued by the Capital Market Board. Internal control systems are in place at a minimum level but are not full and efficient. Potential risks that the company is exposed to are not properly identified and are not under control. Substantial improvements are required to comply with the Corporate Governance Principles in terms of the benefits of both the shareholders and stakeholders, public disclosure, transparency, the structure and working conditions of the Board. Under the current conditions, the Company is not eligible to be listed in the BIST Corporate Governance Index.</p>
< 4	<p>The Company has failed to comply with the Corporate Governance Principles issued by the Capital Market Board. It also failed to establish its internal control systems. Potential risks that the company might be exposed are not identified and cannot be managed. The company is not responsive to the Corporate Governance Principles at all levels. There are major weaknesses in the interest of the shareholders and the stakeholders, public disclosure, transparency, structure and working conditions of the Board and they are at a level that might cause the investor to incur material losses.</p>